

What You Need to Know About Contract 48 for the 1992–1997 Contract Period

**Published by the Office of Contract Management
Lawrence Livermore National Laboratory
October 1993**

DISCLAIMER

This document was prepared as an account of work sponsored by an agency of the United States Government. Neither the United States Government nor the University of California nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of any information, apparatus, product, or process disclosed, or represents that its use would not infringe privately owned rights. Reference herein to any specific commercial products, process, or service by trade name, trademark, manufacturer, or otherwise, does not necessarily constitute or imply its endorsement, recommendation, or favoring by the United States Government or the University of California. The views and opinions of authors expressed herein do not necessarily state or reflect those of the United States Government or the University of California, and shall not be used for advertising or product endorsement purposes.

Work performed under the auspices of the U.S. Department of Energy by Lawrence Livermore National Laboratory under Contract W-7405-ENG-48.

Table of Contents

Purpose	1
Background	2
Overview	2
University	2
DOE	3
LLNL	3
Contract 48	4
Scope of Work	4
Contract Accountability	4
LLNL Policies and Procedures	5
Contract Administration	6
Organizational Arrangements.....	6
University	6
LLNL	7
Office of Contract Management	7
Functional Managers	8
Offices of Primary Responsibility	8
Contract Modifications	9
DOE Directives	10
Definition	10
Contract 48 Appendix G	10
Draft Directives	10
Uncategorized Directives	11
DOE Standards	12
Performance-Based Management	13
Issues Resolution	14
Communications	15
Where to Go for Help	16

Purpose

Overview	<p>This guide will provide you with an overview of the 1992 to 1997 contractual arrangement between the University of California (University or UC) and the Department of Energy (DOE) for the management and operation of the Lawrence Livermore National Laboratory (LLNL or Laboratory) established via Prime Contract W-7405-ENG-48 (Contract 48 or Prime Contract) which was renewed effective October 1, 1992, for a five-year period.</p>
Noteworthy Elements	<p>Noteworthy elements of the Prime Contract that are described in this guide include:</p> <ul style="list-style-type: none">• UC's Laboratory Administration Office — establishes a functional unit within the University for management oversight of the Laboratory;• Contract Modification — establishes the processes for negotiating modifications to the Contract terms and conditions between the UC and DOE;• Performance-Based Management — provides specific, objective standards for Laboratory management performance; and• Issues Resolution — establishes a bilateral "common sense" approach for resolving contractual issues raised by the UC, DOE, and/or Laboratory.
Questions	<p>Questions related to this guide or to the Prime Contract in general can be directed to the LLNL Office of Contract Management (OCM). OCM is the Laboratory's institutional point-of-contact with the UC and DOE for Prime Contract administration. It is the official recipient of formal communications from UC regarding:</p> <ul style="list-style-type: none">• Contract 48 administration and interpretation• Proposed contract modifications• DOE directives.¹ <p>Formal Prime Contract communications, proposed contract modifications, and/or DOE directives received by the Laboratory in a manner other than described in this guide should be brought to the immediate attention of the OCM.</p>
Copies	<p>Hard copies of the Prime Contract are available from the Technical Information Department (TID) Print Plant or on-line from the TID Library Reference Desk. Additional copies of this guide are also available from the TID Library Reference Desk.</p>

¹ DOE directives include DOE orders, notices, regulations, etc.

Background

Overview

Figure 1 below provides an overview of the UC/DOE relationship as it relates to the Laboratory.

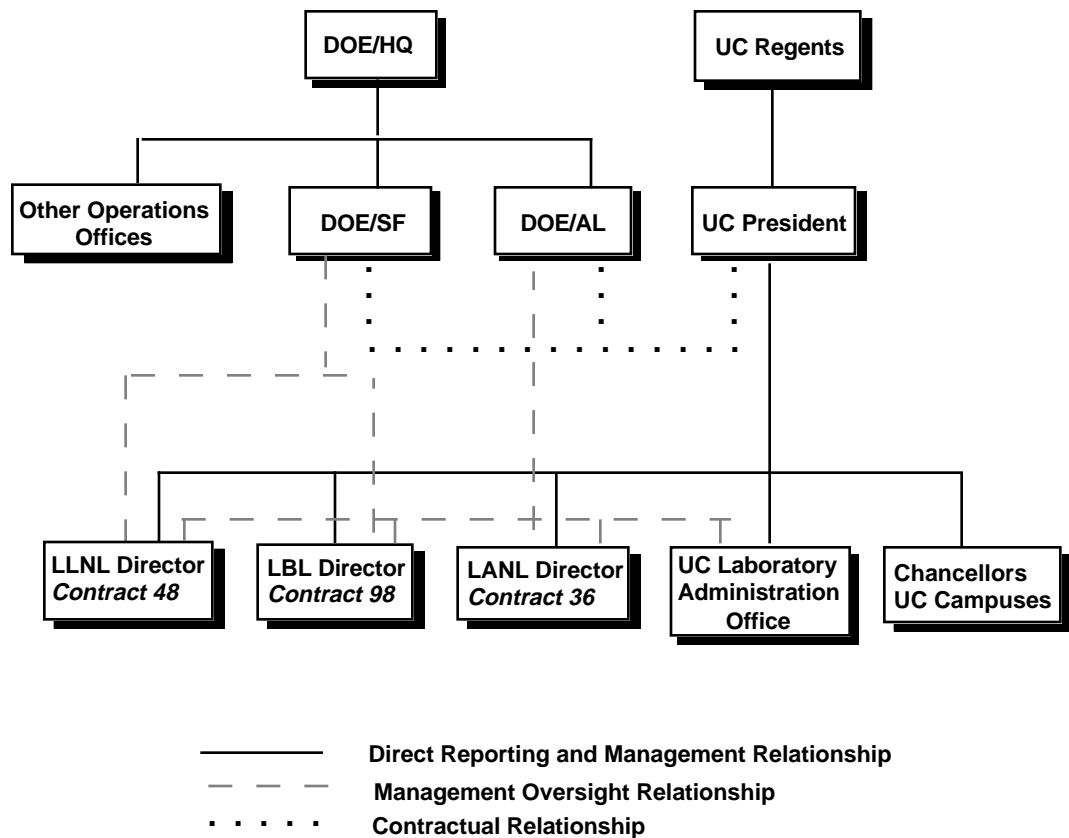


Fig. 1. UC/DOE Contractual Relationship.

University

The University of California is chartered under the constitution of the State of California as a separate and independent institution. Its governing body is The Regents. Under Contract 48, UC is the prime contractor responsible to the DOE for the management and operation of LLNL. UC also manages two other DOE Laboratories under separate Prime Contracts: the Los Alamos National Laboratory (LANL) and the Lawrence Berkeley Laboratory (LBL).

Continued on next page

Background, continued

DOE

The DOE is an agency of the Federal Government and is LLNL's primary source of funding. In addition to DOE Headquarters (DOE/HQ), the DOE has several Operations Offices located throughout the country to oversee its various contracts. The DOE San Francisco Operations Office (DOE/SF) is responsible for LLNL and LBL oversight and administration of Livermore and Berkeley Prime Contracts. The DOE Albuquerque Operations Office (DOE/AL) oversees LANL and its contract.

LLNL

LLNL is a government-owned contractor-operated (GOCO) research and development laboratory. Based on the terms and conditions of Contract 48, LLNL is also known as a DOE Management and Operating (M&O) Contractor.

The Laboratory's mission is to serve as a national resource for science and engineering, focusing on national security, energy, the environment, biology and biotechnology, economic competitiveness, and science and math education, with a special responsibility for nuclear weapons.

Contract 48

Scope of Work The underlying scope of work under Contract 48 includes:

- the maintenance of a strong, multi-disciplinary scientific and engineering base responsive to scientific issues of national importance;
- basic and applied research and military application of nuclear energy;
- work associated with the design, development, testing, safety, and reliability of the weapons in the nuclear weapons stockpile;
- the advancement of science, math, and engineering education;
- the performance of technology transfer and work for others including programs designed to enhance U. S. competitiveness in the global economy; and
- management and operation of the Laboratory facilities and site.

Contract Accountability Under Contract 48, the University and LLNL are accountable to the DOE for:

- Complying with all legal, contractual requirements (hereafter called compliance requirements).
- Striving to meet specific performance measurement goals in a broad range of administrative and operational areas.

Contract compliance means that LLNL adheres to the terms and conditions of the Prime Contract. Contract compliance is the responsibility of LLNL line management and all LLNL employees. Failure to meet Prime Contract compliance requirements can result in financial and/or criminal liabilities for

- the University,
- the Laboratory, and/or
- the individuals involved.

Contract performance measurement goals are specific, objective standards for Laboratory management performance that are negotiated annually between the UC, on behalf of the Laboratory, and the DOE. These performance measurement goals, covered under Appendix F of the Prime Contract, are evaluated annually under a Laboratory self-assessment process that results in an overall performance rating for Laboratory management. The evaluated performance level will determine

- the overall management performance rating of the Laboratory, and
 - the annual salary package for LLNL senior management in the Executive Merit Pool.
-

Continued on next page

Contract 48, continued

**LLNL Policies
and
Procedures**

Prime Contract compliance requirements are translated into LLNL policies and procedures as LLNL management deems necessary and appropriate. LLNL policies and procedures are normally developed, maintained, and disseminated by the LLNL organization responsible for implementing and administering compliance with a specific Contract 48 requirement, and are subject to the approval of senior Laboratory management and the UC and DOE, if required.

Copies of LLNL policies and procedures are available from the cognizant Laboratory organization. A listing of current LLNL policies, procedures, and guides is accessible on-line from the TID Library Reference Desk. This listing is sorted by topical areas (e.g., ES&H, human resources, procurement, etc.) and includes the name of the policy document, a brief description of document contents, and its source.

Contract Administration

Organizational Arrangements

Figure 2 below depicts the University's and Laboratory's arrangements for Contract 48 administration.

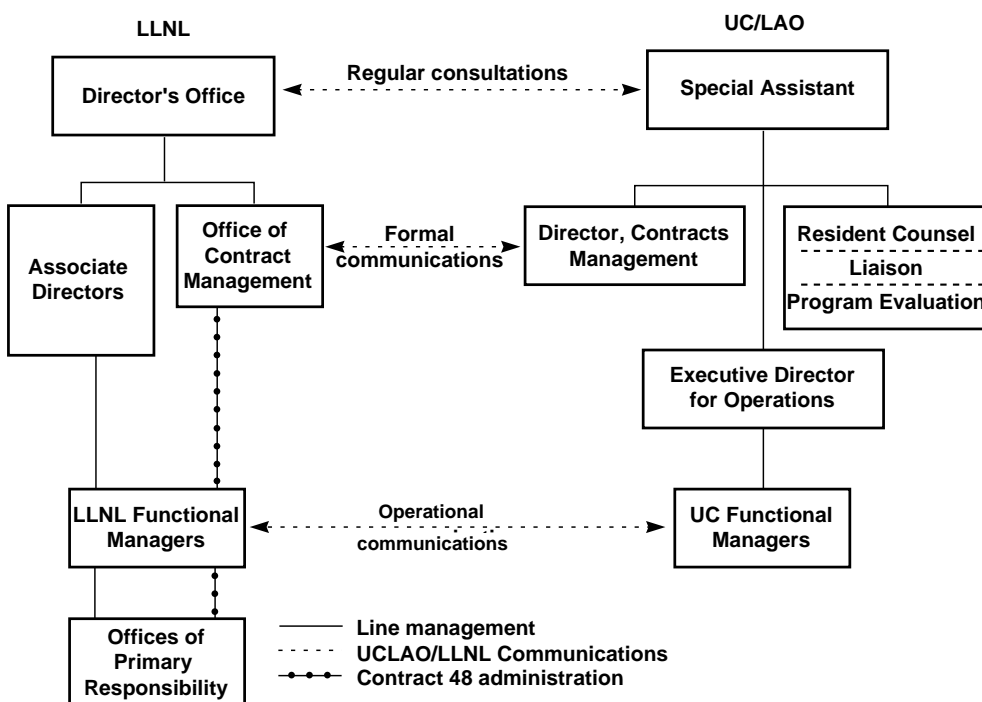


Fig. 2. LLNL Arrangements for Contract 48 Administration.

University

The UC Laboratory Administration Office (UC/LAO) was established with the last Contract 48 renewal (October 1992) to

- manage the University's three DOE Prime Contracts for LLNL, LANL, and LBL
- provide enhanced UC oversight of the Laboratories' contractual compliance, and
- review the Laboratories' management performance under each of the Prime Contracts.

Continued on next page

Contract Administration, continued

University, continued

The UC/LAO is managed by the Special Assistant for Laboratory Administration. The Director for Contracts Management (UC/CM) is the University's official point-of-contact with the DOE and the Laboratories on all matters related to Prime Contract administration, including the receipt of all DOE directives proposed by DOE for inclusion in the Prime Contract and any other proposed contractual modifications. The Executive Director for Operations (UC/EDO) has primary responsibility for the development of annual Prime Contract performance measures and supervising the UC Functional Managers (UC/FMs). UC/FMs are each responsible for the oversight of specific administrative or operational activities (like human resources, safeguards and security, etc.)

LLNL

LLNL organizational arrangements associated with the Prime Contract are addressed at three levels: the Office of Contract Management, Functional Managers, and Offices of Primary Responsibility.

Office of Contract Management

The OCM is responsible for Prime Contract administration and coordination and is the Laboratory's Institutional Point-of-Contact (IPOC) with the University, DOE, LBL, and LANL regarding Contract 48. As such, the OCM:

- is the official recipient of proposed contract modifications, DOE directives, and formal Contract 48 communications, unless otherwise noted herein;
 - is the official contact with the UC/LAO on all matters related to Contract 48 issues resolution;
 - disseminates information related to Contract 48 and its administration Laboratory-wide;
 - coordinates the annual Laboratory Contract 48 Appendix F self-assessment process;
 - records, tracks, and informs LLNL management of Prime Contract reporting commitments and actions; and
 - interprets the Prime Contract, as necessary, in coordination with the UC/LAO and LLNL Office of Laboratory Counsel as appropriate.
-

Continued on next page

Contract Administration, continued

LLNL,
continued

Functional Managers

LLNL Functional Managers (LLNL/FMs) are senior-level individuals who have been designated by the Director's Office and/or cognizant Associate Director (AD) to represent the Laboratory to the University and DOE in specific functional areas, including Environment, Safety & Health (ES&H); Facilities; Finance; Human Resources; Property & Procurement; and Safeguards and Security. LLNL/FMs:

- develop modifications to Prime Contract performance management goals in coordination with the UC/FM;
- manage the annual intra-Lab Appendix F self-assessment process; and
- communicate operational issues and requirements within the Laboratory and with the UC/FMs, the DOE, and external and internal reviewers and audit agencies.

Offices of Primary Responsibility

An Office of Primary Responsibility (OPR) is the LLNL organization responsible for the implementation and administration of Prime Contract compliance requirements and performance measurement goals. In some areas, the OPR may also be the LLNL/FM. OPRs:

- execute their operational responsibilities in accordance with Prime Contract compliance requirements;
 - develop, maintain, and disseminate LLNL policies and procedures;
 - strive to meet Prime Contract performance measurement goals;
 - develop responses to proposed contract modifications and DOE directives;
 - implement contract modifications and/or directives as required; and
 - conduct annual Appendix F self-assessments.
-

Contract Modifications

Overview

Contract modifications

- can be proposed by the UC or the DOE,
- can apply to any section of the Prime Contract, including Appendices, and
- require mutual acceptance of both parties.

The contract modification process described herein does not apply to financial Contract Modifications (also known as Contract Mods) administered by the LLNL Finance Department to amend the Laboratory's Letter of Credit (i.e., funding and cost authority) under Contract 48.

All contract modifications, other than financial Contract Mods, flow through the UC/CM to the OCM. Proposed contract modifications, including DOE directives, that are sent directly to the Laboratory, at any level (OCM, FM, OPR, or other), without first going through the UC/CM violate the UC/DOE contractual relationship and should be brought to the immediate attention of the OCM.

The UC and Laboratory FMs draft the UC position to proposed contract modifications which is iterated back to each of the Laboratories through the IPOC offices, the OCM for LLNL, before final submission by UC to the DOE. Depending on the nature of the proposed contract modification and the differences in Prime Contracts, the UC may submit three separate Lab-specific positions.

Contract modifications are negotiated, as necessary, between UC and DOE. Contract modifications, once executed, are then transmitted to the OCM from the UC/CM. OCM disseminates information regarding Prime Contract modifications to Laboratory management.

DOE Directives

Definition

DOE Contracting Officer (CO) directives are documents issued by DOE for the purpose of imposing standing operational requirements and obligations on the University, and therefore the Laboratory, in the performance of work under the Prime Contract.

Examples of CO directives include:

- Orders
- SF Management Directives (SFMD) issued by DOE/SF adapting specific DOE orders for its own contractor community
- Notices
- Secretary of Energy Notices (SENs)
- Rules or regulations
- Policy memoranda and/or written clarifications

CO directives do not include temporary written instructions issued by the DOE Contracting Officer for the purpose of addressing short-term or urgent DOE concerns related to security, safeguards, health, safety or the environment.

Contract 48 Appendix G

LLNL is required to comply with DOE CO directives accepted by the University under Appendix G of the Prime Contract. New or revised DOE directives may be added to Appendix G by mutual agreement of the UC and DOE through the modification described in the previous section.

Draft Directives

As DOE develops new or revised directives, it often circulates a draft version to its Operations Offices and contractors to seek comments from the affected parties or an expert opinion on the technical merit of the directive before the directive is actually issued.

Draft directives may be distributed by DOE directly to Laboratory FMs, OPRs, or other expert(s) for review and comment without going through the UC/LAO or Laboratory OCM. The cognizant FM, OPR, or expert(s) may provide written or oral comment on the draft directive back to DOE if so approved by their line management.

Continued on next page

DOE Directives, continued

Draft Directives, continued

Where the draft directive and proposed comments affect more than one LLNL organization, the respondent should coordinate his/her comments with other affected parties. A copy of all written correspondence and draft directives shall be provided by the respondent to the OCM and the cognizant OPR, FM, and AD(s).

A respondent providing written comments on a draft directive must indicate that the comments do not represent an official UC position or in any way bind the UC or Laboratory to acceptance of a revised or new CO directive once it is issued.

Upon issuance, UC/Laboratory acceptance of a revised or new CO directive must follow the contract modification process described above regardless of any comments that may have been provided by the Laboratory on the draft.

Uncategorized Directives

An uncategorized directive (often called a "rogue directive") is any directive, regardless of origin, that

- imposes new standing operational requirements for the Laboratory, and
- did not come through the formal UC/CM process described above.

LLNL is accountable only for CO directives officially accepted by the University under Appendix G of the Prime Contract. New or revised CO directives and draft directives cannot be distributed by DOE to the Laboratory with the intent of holding the Laboratory accountable for implementing the directive. All CO directives issued by DOE for Prime Contract inclusion must, without exception, follow the process described above. Draft directives can only be circulated for comment.

Uncategorized directives received directly by the OCM will, upon consultation with the UC/CM, be returned to the DOE with a notice of the contractual procedure that must be followed for directive review and acceptance under the Prime Contract. Uncategorized directives received by other Laboratory organizations should be sent immediately to the OCM for appropriate treatment.

DOE Directives, continued

**DOE
Standards**

DOE standards are normally issued as guidance only and, therefore, are not legally binding under Contract 48. Under such circumstances, DOE standards are not considered CO directives. If, however, a DOE standard, or other standardization document (e.g., handbook, guide, manual, etc.), is intended to be binding on the UC and LLNL, it must be handled under the directives process described herein. Published DOE standards are available through the Laboratory's Engineering Information Center.

Performance-Based Management

Overview

Appendix F of the Prime Contract includes specific, objective performance measurement goals that are established by the UC, with Laboratory input, and DOE for annually evaluating and rating LLNL management performance.

The Laboratory is required to conduct an annual self-assessment to evaluate its management performance under Appendix F. This self-assessment may involve participation by external entities, including one or more of the other Laboratories. The self-assessment process ultimately results in a management rating by the UC for LLNL. UC's findings are conveyed to DOE/SF and are used by the UC and DOE to determine the Laboratory's Executive Merit Pool salary package.

Process

Annual performance measurement goals for administrative and operational areas (e.g., ES&H, procurement, property, etc.) are jointly developed by the UC/EDO and the UC and Laboratories' FMs. The UC negotiates these performance measures with DOE for inclusion in the Prime Contract. Modifications to Appendix F of the Prime Contract are executed by the DOE and UC, then conveyed by UC to the Laboratory IPOCs. Laboratory FMs are responsible for striving to meet annual performance measurement goals identified in Contract 48.

Issues Resolution

Bilateral Process

The University and DOE have established a tiered, bilateral process under each of the three Prime Contracts to facilitate prompt and effective resolution of issues relating to contract administration.

Issues resolution formally requested under the Prime Contract is coordinated by the OCM. FMs, OPRs, and other LLNL organizations must raise issues regarding Contract 48 with the OCM and Director's Office to determine if the matter can be resolved internally at the Laboratory or if it requires further discussion with the UC and DOE. If an issue cannot be resolved internally, as determined by senior Laboratory management, the matter is raised by the OCM with the UC/LAO.

If a matter is unresolved by senior UC and DOE management, it may ultimately be addressed by the President of the University and the Secretary of Energy, and from there may have to be resolved under the Disputes Clause of the Prime Contract.

Communications

- Requirements** Written communications with DOE or other outside entities that have an impact on Prime Contract terms and conditions are to be coordinated with the OCM. Certain types of written contract-related communications must go through the OCM to the UC/LAO and from UC/LAO to the DOE. They cannot be conveyed directly by LLNL to the DOE. These include:
- Matters related to Prime Contract modifications (Articles XV and XX)
 - Matters related to a DOE notice of intent to disallow costs under the Prime Contract (Article V, Clause 9)
 - Matters related to the issuance of a DOE Contracting Officer special instruction (Article V, Clause 10)

Other written contract-related communications that must go through the UC/LAO to the DOE include:

- Matters involving more than one UC-managed DOE Laboratory (e.g., the development and implementation of UC/tri-Lab policies and procedures); and
- Matters involving University system-wide programs (e.g., benefits, retirement programs, etc.).

These latter communications may be conveyed to the UC/LAO directly by the cognizant LLNL organization, with Director's Office or other line management approval, and do not require coordination with the OCM unless there is a potential impact on Prime Contract terms and conditions.

Where to Go for Help

OCM

Any questions relating to Contract 48 administration, contract modifications, DOE directives, the Laboratory self-assessment process, and Prime Contract interpretation and/or issues resolution should be addressed to the OCM.

Resources

Copies of various documents related to the Prime Contract are available as follows:

- Hard copies of Contract 48 are available from the TID Print Plant or can be accessed electronically from the TID Library Reference Desk.
 - DOE orders, change orders, notices, and SENs are available in hard copy or on-line from the TID Library Reference Desk.
 - A listing of Appendix G CO directives and the cognizant ADs, FMs, and OPRs for each directive is available on-line from the TID Library Reference Desk.
 - A listing of LLNL institutional policies, procedures, and guides is available on-line from the TID Library Reference Desk.
 - Published DOE standards are available through the Laboratory's Engineering Information Center.
-

Acknowledgment

We would like to express our appreciation to the following individuals who have assisted in the review of this guide:

* Ann Abers, Office of Contract Management
Kent Campbell, Business Operations
Cindy Cassady, Technical Information Department
Lynn Cleland, Plant Operations
Ron Cochran, Director's Office
Jan Cook, Plant Engineering
George Damoulos, Human Resources Department
Dennis Fisher, Plant Operations
John Gilpin, Controller's Office
Janet Griffin, Office of Contract Management
Bob Hertel, Business Operations
Pam Kappelhof, Budget Office
Joe Krueger, Safeguards and Security
Gloria Kwei, Human Resources Department
Ron Nelson, UC Laboratory Administration Office
Gene Pons, Office of Contract Management
Cindy Sanders, Office of Contract Management

* Principal author